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BUSINESS FAILURES DROP SHARPLY
IN FIRST SIX MONTHS OF 1989

NEW YORK, Aug. 29--Posting the most significant decline in more than 10 years, business failures fell 14.5 percent in the first six months of 1989, according to The Dun & Bradstreet Corporation.

"The steady decline in business failures across the country underscores the overall stability of the U.S. economy and offers further support for the 'soft-landing' scenario," said Joseph W. Duncan, corporate economist and chief statistician of D&B.

Duncan noted that the decrease in business failures is a continuation of the trend begun in 1987, which reflects improvements in the nation's weakest regions, as well as overall stability.

Failures were down substantially in seven of the nine U.S. census regions. Only the South Atlantic states reported a significant increase in business bankruptcies.

The only industry sector to report an increase in the

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first six months of 1989 was the finance, insurance and real-estate sector, where failures rose 11.7 percent to 1,431 from 1,281 in the same period last year.

"The troubled savings and loan industry, as well as stress in the real-estate sector, contributed to the increase in finance, insurance and real-estate failures, particularly in the East North Central, Mountain and Pacific states," said Duncan.

Mining failures were down 25.4 percent to 182 from 244, and agriculture failures fell 23.5 percent to 812 from 1,061. The mining and agriculture industries reported high levels of bankruptcies in the past few years because of the depressed oil industry and the rush of farmers to reorganize after the introduction of Chapter 12 to the bankruptcy code in November 1986.

"Both the mining and agriculture sectors reached turning points prior to 1989, and the downward trend is continuing to accelerate," said Duncan.

Duncan noted that the shakeout following the entrepreneurial boom earlier in this economic expansion has clearly subsided, as services bankruptcies dropped 23.8 percent to 9,571 in the first half of 1989 from 12,562 in the same period last year.

Wholesale-trade failures decreased 23.0 percent to 1,841 from 2,391; manufacturing failures fell 15.5 percent to 1,918 from 2,270; and retail-trade failures dropped 6.8 percent to 5,621 from 6,032. Business failures in the construction industry fell slightly to 3,490 from 3,508.